

**Arizona Early Childhood Development and Health Board
Policy and Program Committee
Meeting Minutes
April 3, 2014**

Call to Order, Welcome and Introductions

The Regular Meeting of the First Things First – Arizona Early Childhood Development and Health Board Program Committee was held on April 3, 2014 at the First Things First Board Room, 4000 North Central Avenue, Suite 800, Phoenix, Arizona 85012.

Members Present:	Brad Willis, Alan Taylor, Mary Ellen Cunningham, Randal Christensen, Kim Van Pelt, Laurie Smith, Bill Berk, Amy Corriveau, Naomi Karp, Janice Decker
Members on Phone:	Vivian Juan Saunders, Colleen Day Mach
Members Absent:	Kenton Laffoon, Toni Harvier
Advisory Committee Co-Chairs:	Jeanette Shea, Pat VanMaanen
Invited Guests:	Cindy Hallman, Nancy Mongeau (by phone), Kathy Watson (by phone), Michael Reed (by phone),
FTF Staff:	Karen Woodhouse, Michelle Katona, Sam Leyvas, Josh Allen (by phone),

Chair Decker called the meeting to order at 10:00 a.m.

Review and Possible Approval of Meeting Minutes

Chair Decker called for a motion to accept the meeting minutes of November 26, 2013 as written. Member Willis moved to accept the minutes and Member Taylor seconded. All in favor and motion passed.

Budget Setting and Fiscal Policy (Presentation and Discussion)

Josh Allen reviewed the funding allocation recommendations from the First Things First Board (FTF) Finance Committee, which are presented in the Summary of Fiscal Year (FY) 16 Budget, Finance and Program Considerations document. With a decrease in expected tobacco tax revenues, the Board asked the Finance Committee and FTF staff to look at the implications and alternatives of adjusting funding allocations to help manage the presumed coming reductions. Taking a look at FY15 funding plans, approximately \$161 million dollars are spent at a regional level with about \$44.5 million of that amount being regional carry forward funds from FY 14. Using carry forward funds actually translates to spending more money than allocated for the year, so FTF reviewed when carry forward funds would likely no longer be available and it is anticipated that these carry forward funds might be available through FY16 but would be exhausted going into FY17, and at that point, regional councils would need to realign spending to a much lower level based on decreasing tobacco tax revenues.

The Finance Committee looked at three options for aligning budgeting with revenues. The first option addressed the feasibility of regional councils spending as normal until fund balances ran out, but the Finance Committee believed this option would create a large gap when the additional carry forward funds were spent and then regions would have to realign spending to a much lower amount the following year. The second option addressed regional councils dividing the FY15 year end fund balance over the next three year planning cycle (FY16-18) and then FTF would next re-evaluate spending. This option means that some regions get to the zero point immediately but almost all regions would have to take a cut and fine tune the remaining funding allocations. This option was also not preferred by the Finance Committee and ultimately they reviewed the option of uniformly resetting Regional spending at the start of FY16. Very soon fund balances will no longer be available and regions will need to make cuts and work with the base amount allocated by the Board. The Finance Committee agreed it is best that all Regions do this uniformly at the start of a three year funding cycle in FY16.

The next phase was deciding the amount of funding to align to in FY16. Funding revenues from FY 2013 were about \$130 million and the regional share was approximately \$117 million, which is a starting point for the funding amount. The Finance Committee acknowledged this is only a projection because revenues are coming in lower each year. The amount of \$126.6 million was targeted because it can be sustained over a period of time at a projected 9-15 years, which is a reasonable timeframe to work with. First Things First would still need to reassess funding sometime during that range because it is projected that another \$15 million would need to be cut again based on further projection of future funding revenue loss over the years. Using the baseline budget amount of \$126.6 million in FY 16, an approximate total of \$47.8 million will be reduced from regional budgets, which is a 30 percent reduction in spending from what was budgeted in FY15.

Since the Finance Committee asked Chair Decker to bring the recommendations back to the Program Committee for guidance on programmatic planning related to the funding reduction, Chair Decker opened the floor for discussion. Member Van Pelt inquired about the characteristics of the regions that would be most impacted, sharing her concern that funds will be pulled from a higher need region to meet the new budget baseline amount, and then allocated to a region with a lower need. Josh clarified that overall

each region would receive slightly more than they would normally receive except for about 10 Regions who would have a relatively smaller amount. He paraphrased Finance Committee Member Enos, who stated that it doesn't work out perfectly, but the margin of error is so small that the impact isn't so great on the regions, so it's a recommendation we should support when measured against the alternatives. Every region has a unique reason why their funding balances grew but this recommendation seems to be the most reasonable for all.

Member Christensen voiced that determining the funding piece was the easy part being relatively mathematically in nature. The base number could be split in many ways but the important piece to consider is, whether or not the items being prioritize are still going to be as impactful at whatever level funding is set. He added that the next task ahead is finding out the sustainability and long term effects of whatever funding base is set now and prioritizing next steps based on the impact. Member Cunningham urged the Committee to keep in mind that dividing funding equally doesn't make it divided equitably, and regions who didn't spend all their funds for whatever reason should not be penalized. Josh agreed that regions that had fund balances should not be penalized by losing their carry forward funds that are then distributed to other regions. He said FTF knows that "one size doesn't fit all". He confirmed that regions are not losing their fund balances, because those dollars stay within the regions, but will be budgeted and distributed back out over the next several years to regions. Chair Decker appreciated the fiscal discussion and asked the Program Committee members to review the information and handouts for further discussion and decisions and/or recommendations to be made at the next meeting.

Program Considerations Related to Fiscal Policy (Presentation and Discussion)

Karen Woodhouse and Michelle Katona confirmed that the Program Committee is not being asked to make decisions or recommendations today but it is an opportunity to hear information and engage in discussion in preparation for sharing ideas and information from the discussions held today with the Board on April 8. Michelle presented information on where current regional funding investments are made in the areas of Family Support and Literacy, Children's Health and Quality, Access and Affordability. Quality, Access and Affordability is where the majority of funding is invested from each region, primarily in Quality First.

Dr. Peifer clarified that the Care Coordination strategy helps families manage complex cases for children with chronic, multiple or special needs. A Care Coordinator/Consultant helps families navigate the systems of care. Member Cunningham stated this is the same work that the Arizona Health Care Cost Containment System (AHCCCS) plans are required to provide. Advisory Committee Co-Chair Van Maanen noted that this is a topic that the Health Advisory Committee is discussing from a prevention model perspective and they are looking at how the financial piece fits in. The Health Advisory Committee recognizes that not everything can be funded through FTF, and they are reviewing health policy and how the Affordable Care Act will fund services over time. Member Van Pelt emphasized the importance of looking at the funding changes from a systems perspective, so that FTF is funding programs that will be sustained over time or that FTF monies are used to leverage funding from other sources for long term program sustainability.

It was discussed that some of the Quality First funding is used to enroll providers as "rating only" and the cost associated with these providers is much lower because they do not receive the entire package of Quality First supports. For funds invested in Quality First Scholarships, the cost varies depending on the age and number of children in each provider program. Programs rated as 1 star will no longer receive scholarships as of July 1, 2014. Programs rated as 1 or 2 stars will no longer receive scholarships as of July 1, 2015. The scholarship funds will then be allotted to higher rated centers. This is to incentivize centers to reach a 3 star rating. The lowest number of scholarships allotted is among providers in tribal areas and this is based on the ratings and the number of scholarships aligned with the rating. Also, a number of the tribal programs are Head Start programs, and they do not need to use the scholarships. Home-based providers receive a lower number of scholarships based on the smaller enrollment.

Member Christensen inquired if there is value in having an outside review completed to identify which funded programs have been successful and then to allocate funding on a graded priority based on the level of success. Karen Woodhouse stated that FTF collects data through regional Needs and Assets reports and based on recommendations from the FTF National Advisory Panel on Evaluation and Research, FTF will be collecting more implementation and population level data, but it will take some time to collect and to show outcomes. Until then, FTF strives to identify evidence-based and evidence-informed programs and practices for investments and a Quality Assurance process has been initiated to assess fidelity to program Standards of Practice. There is not enough funding to conduct a specific study on all FTF funded programs, so the evaluation and data collection is focused more on large investments and shifts in the early childhood system. The FTF initiative is founded on regions being able to determine what is beneficial for kids and families in their community, and FTF has to ensure the systems and program work is on track and course corrections are employed when necessary to continually improve toward desired outcomes. Member Smith spoke as a Regional Council Member, stating that regional council members are aware that funding allocations will have to shift towards programs that are proven to work and that are showing an impact.

Chair Decker suggested the Policy and Program Committee members digest this information and come back at the May meeting ready to discuss direction and recommendations. Council Member Mongeau agreed it is a lot of information to process and would like to provide feedback before the next committee meeting. Karen will facilitate the collection and compilation of feedback and will send a summary out to everyone for a final review prior to the next meeting.

FY 2014 Meeting Dates:

Chair Decker thanked the Health Advisory Committee members for attending although they did not have an opportunity to report on their work. Advisory Committee Co-Chair VanMaanen asked for any items the Policy and Program Committee members wanted the Health Advisory Committee to discuss at their meeting next week and possible agenda items will be discussed after the Program Committee adjourns.

The next meeting date is scheduled for May 15, 2014 from 10:00 a.m. – 12:00 p.m.

Adjournment

Chair Decker called for further discussion items or member updates and there being none, adjourned the meeting at 11:56 a.m.